

Demonstrations

Q. Pharmacy Redesign Pilot Program

1. Purpose

The Pharmacy Redesign Pilot Program will assess the feasibility and cost of a system-wide pharmacy benefit for Medicare-eligible Military Health System (MHS) beneficiaries who are sixty-five (65) years of age or older.

2. Background

In June 1998, the General Accounting Office (GAO) testified before the Subcommittee on Military Personnel, Committee on Armed Services, House of Representatives, that over the past several years, concern about the cost and quality of DoD's pharmacy benefit has surfaced. GAO recommended that DoD establish a more system-wide approach to managing its pharmacy benefit by establishing a uniform, incentive-based formulary across its pharmacy programs. Furthermore, GAO recommended that a system-wide pharmacy benefit be granted to Medicare-eligible retirees who are excluded from the contractor retail network and the National Mail Order Pharmacy (NMOP) systems.

In response to the June 1998 GAO report, the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (P.L. 105-261) directed DoD to develop a system-wide pharmacy redesign plan. Section 723 of the Authorization Act called for the redesigned benefit to be implemented in two (2) sites for Medicare-eligible beneficiaries. Consistent with the Authorization Act, it is the DoD's goal to redesign the pharmacy benefit in accordance with "best business practices" utilized in the private sector.

In the past, Medicare-eligible MHS beneficiaries' access to pharmacy benefits has generally been limited to the military treatment facilities (MTFs). It is projected that participation in this pilot program will extend access to network retail and mail order pharmacy benefits for six thousand (6,000) MHS beneficiaries who are sixty-five (65) years of age or older. The pilot program will be implemented at two (2) sites with approximately three thousand (3,000) beneficiaries enrolled at each site. To be eligible, potential enrollees must live in designated zip codes.

3. Areas Of Implementation

a. The following two (2) counties have been selected for implementation of the Pharmacy Redesign Pilot Program:

- (1)** Okeechobee, Florida, in TRICARE Region 3.
- (2)** Fleming, Kentucky, in TRICARE Region 5.

b. To be eligible to enroll and receive the drug benefits under the pilot program, the Medicare-eligible MHS beneficiary must live in a designated zip code in or around the above counties. [Figure 2-20-Q-1](#) lists the designated zip codes for Okeechobee, Florida, and [Figure 2-20-Q-2](#) lists the designated zip codes for Fleming, Kentucky. The contractor shall not disenroll a beneficiary whose zip code is revised by the Postal Service even if the revised zip code is not listed in [Figure 2-20-Q-1](#) or [Figure 2-20-Q-2](#).

c. The contractor for TRICARE Region 3 shall be responsible for enrollment (to include collection of enrollment fees) for beneficiaries who live in the designated zip codes in or around Okeechobee, Florida.

d. The contractor for TRICARE Region 5 shall be responsible for enrollment (to include collection of enrollment fees) for beneficiaries who live in the designated zip codes in or around Fleming, Kentucky.

4. Eligibility

a. An individual is eligible to enroll in the Pharmacy Redesign Pilot Program if the individual is a member or former member of the uniformed services described in Section 1074(b) of Title 10, United States Code; a family member of the service member described in Section 1076(a)(2)(B) or 1076(b) of Title 10; or a family member of a service member of the uniformed services who died while on active duty for a period of more than thirty (30) days; who meets all of the following requirements:

- (1)** sixty-five (65) years of age or older;
- (2)** entitled to Medicare Part A;
- (3)** enrolled in Medicare Part B;

NOTE:

Section II.Q.4.a.(3) shall not apply in the case of an individual who at the time of attaining the age of sixty-five (65) years lived within one hundred (100) miles of the catchment area of an MTF. Beneficiaries will be responsible for submitting this documentation to the contractor. For enrollment purposes, the contractor will accept the beneficiary submitted documentation in lieu of a photocopy of the beneficiary's Medicare Part B enrollment card.

- (4)** resides in the designated zip code for this pilot program.

NOTE:

Eligibility for the Pharmacy Redesign Pilot Program begins when TRICARE eligibility ends at 12:01am on the last day of the month preceding the month of attainment of age sixty-five (65).

b. Pharmacy Redesign Pilot Program enrollees shall be identified in the Defense Enrollment and Eligibility Reporting System (DEERS) by a Pharmacy Indicator of "R" in the Pharm/BRAC field.

5. Policy

a. To receive drug benefits under the Pharmacy Redesign Pilot Program, an eligible MHS beneficiary is required to enroll in the program. The annual enrollment fee for a beneficiary will be as determined by TMA. See Section II.Q.7., below.

b. The contractors shall determine from the DEERS indicator "R" if the beneficiary is eligible for drug benefits under the Pharmacy Redesign Pilot Program.

c. Under the pilot program, the benefit will be comprised of prescription drugs from any TRICARE retail network pharmacy and the National Mail Order

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II.Q.5.c.

Pharmacy (NMOP). Claims from non-network pharmacies shall be denied. The prescription drug claims will be covered and reimbursed in accordance with the applicable sections of the Policy Manual and the Operations Manual subject to the provisions of this pilot program. The contractor shall use any rates or discounts negotiated with the network pharmacy for the reimbursement of these claims.

d. The TRICARE retail network pharmacies shall dispense prescriptions in accordance with the Policy Manual, [Chapter 7, Section 7.1](#). The beneficiary cost-share shall be twenty percent (20%) of the allowable charge, and there shall be no deductible applied or credited to a catastrophic cap.

e. The eligible beneficiaries shall have access to NMOP where quantities up to a ninety (90) day supply will be dispensed for a flat fee of eight dollars (\$8) for each prescription.

NOTE:

The Defense Supply Center Philadelphia (DSCP) is the government contracting activity for the NMOP program. DSCP will design, develop and administer all NMOP contract modifications to facilitate prescriptions being filled for this pilot program.

f. The Pharmacy Redesign Pilot Program will not be primary payer for pharmacy benefits for eligible beneficiaries with other health insurance (OHI). A beneficiary who has pharmacy coverage through OHI cannot use the NMOP, but will be able to use the retail network pharmacies. However, they may use NMOP if they provide an explanation of benefits (EOB) detailing their plan will not cover the item and it is covered under NMOP.

g. The Health Care Service Records (HCSRs) shall be reported using the Special Processing Code "PD", Pharmacy Redesign Pilot Program, in accordance with current contract requirements for not-at-risk funds. Also, see [Section II.Q.8.](#), below.

h. Appeals shall be processed in accordance with [OPM Part Three, Chapter 7](#).

i. For each claim processed, the Explanation of Benefits (EOB)/Summary Voucher shall have a message stating, "This claim is for a Medicare, not a TRICARE eligible beneficiary." For each claim denied based on eligibility, the EOB shall have a message stating, "Eligibility for Pharmacy Redesign Pilot Program benefit not established. Contact DEERS Support Office for assistance."

j. The TMA, Lead Agents, MTFs, and contractor will partake in a marketing effort to ensure that the eligible beneficiaries are knowledgeable of the pilot program. The contractor shall publicize the Pharmacy Redesign Pilot Program and its benefits in their regular bulletins/newsletters, including information to military retiree associations and pharmacies. Also, see [Section II.Q.6.](#), below.

k. Normal records retention provisions will apply to the pilot program claims.

6. Marketing

- a.** *Defense Manpower Data Center DEERS Support Office (DMDC DSO) shall issue a list of potential eligible beneficiaries to the contractor.*
- b.** *The marketing materials (i.e., public notices, flyers, informational brochures, etc.) will be developed and printed centrally by DoD, TMA, Office of Communications and Customer Service. The contractor shall distribute all documents associated with the TRICARE Pharmacy Redesign Pilot Program. The contractor shall begin marketing activities, such as, flyers, local installation newspaper articles, public announcements, and direct mailings to eligible beneficiaries forty-five (45) days prior to the start of enrollment for the pilot program.*
- c.** *TMA shall coordinate the development of the enrollment form with the contractor. The contractor shall not release enrollment applications until the first day of marketing.*
- d.** *The contractor shall develop, print, and provide to each enrollee a directory that identifies all retail network pharmacies located in the pilot program area. The contractor shall update the directories in accordance with current contract requirements. The contractor shall also provide to enrollees all brochures and information available on the National Mail Order Pharmacy (NMOP) benefit.*

7. Enrollment**a. Enrollment Process**

(1) *The enrollment date shall be thirty (30) days prior to the start of health care delivery. The contractor shall provide a written enrollment plan to the Lead Agent (with a copy to the COR) for approval no later than sixty (60) days prior to the start of enrollment. Feedback will be provided no later than fifteen (15) days following submission of the plan. The contractor shall establish an enrollment process that provides a fair and equitable opportunity for beneficiaries to obtain information about the TRICARE Pharmacy Redesign pilot program and provides an opportunity for them to submit applications. This process shall include the following activities at a minimum:*

(a) *The contractor shall distribute enrollment packages to all Medicare eligible beneficiaries in the pilot program zip codes, the TRICARE Service Center, and other sites as agreed upon by the contractor and Lead Agent, no earlier than the first day of marketing. The contractor shall also mail enrollment packages to beneficiaries who request them by telephone. The contractor shall provide in the enrollment application package a preaddressed return envelope with the contractor's address.*

(b) *The contractor shall provide telephone lines and adequate numbers of trained staff at the TRICARE Service Center to review applications, provide assistance completing applications, provide applications by mail if requested, schedule appointments and conduct face-to-face interviews, if requested by the beneficiary. The contractor shall meet all established contract requirements and performance standards for the TRICARE Service Center and telephone service unit.*

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II.Q.7.a.(1)(c)

(c) The contractor shall produce enrollee identification cards. The card must have the program name TRICARE Pharmacy Program and will be in consonance with the National Council on Prescription Drug Programs (NCPDP) specifications.

(2) The contractor shall begin processing enrollment applications thirty (30) days prior to the enrollment date of the TRICARE Pharmacy Redesign Pilot Program.

(a) Enrollment applications shall be accepted by mail only. The beneficiary shall return the completed enrollment application along with a photocopy of their Medicare Part B enrollment card, and payment for the enrollment fee.

(b) Enrollment periods shall begin on the first day of the month following the month in which the enrollment application and enrollment fee are received by the contractor. If an application and fee are received after the twentieth (20th) day of the month, the enrollment date will be on the first day of the second month after the month in which the contractor received the application and enrollment fee.

(c) The contractor shall date stamp all applications with the date of receipt. The contractor shall accept the enrollment fee *of two hundred dollars (\$200) per person/per year* from each beneficiary. The enrollment fee shall be collected and paid in accordance with [OPM Part Three, Chapter 4, Section II.D.7](#). The exception being, that only semi-annual or annual payments shall be accepted due to the low enrollment fee. The enrollee shall select the method for paying the enrollment fee with the initial enrollment application. The contractor may use at their discretion electronic funds transfer as a method of receiving payment. Contractors shall revalidate DEERS eligibility (including checks for residence and notifications) upon payment of consequent enrollment fees.

(d) In order of receipt, the contractor shall verify all information through Defense Enrollment and Eligibility Reporting System (DEERS). Once the beneficiary is validated as being eligible, the contractor shall approve the application and send an electronic notification of the approved application to the DMDC DSO. The contractor shall electronically transfer approved applications on a daily basis to DSO, with the last submission for the month being on the twentieth (20th) of the month. The contractor shall indicate on the transfer document header the date of approval of the attached applications along with the effective date. DMDC DSO will have twenty-four (24) hours during the normal work week to process all applications. On the date of application approval, the contractor shall send an enrollment confirmation letter (or card) to the beneficiary. The contractor will record the beneficiary's date of enrollment and enrollment period expiration date.

(e) The contractor shall provide the enrollee with written confirmation of the enrollment effective date, expiration date, an enrollment card and applicable enrollment materials.

(3) If the beneficiary is not eligible through DEERS, the beneficiary will receive a denial letter of explanation along with the beneficiary's original payment.

(4) The DMDC DSO will identify the enrollment into DEERS by use of a Pharmacy Indicator of "R" in the Pharm/BRAC field.

(5) The contractor shall send a continuous enrollment notification to the enrollee sixty (60) days prior to the enrollment period expiration date. If the enrollee does not request continuous enrollment within thirty (30) days of this notification, the contractor shall send the enrollee a reminder notice.

(a) To continue enrollment, the enrollee must return a signed copy of the continuous enrollment form, a photocopy of their Medicare Part B enrollment card, and payment of the enrollment fee prior to the enrollment period expiration date.

(b) Upon receipt of the above documentation and payment of the enrollment fee, the contractor shall revalidate eligibility through DEERS. The contractor shall send the enrollee an enrollment confirmation letter indicating the new enrollment period expiration date. Notification will not be sent to the DMDC DSO because the enrollment will remain continuous. If the beneficiary is not eligible through DEERS, disenrollment shall be processed in accordance with [Section II.Q.7.c.](#)

b. Aging In

(1) A beneficiary may request pre-enrollment two (2) months prior to reaching sixty-five (65) years of age, as long as the beneficiary is enrolled in Medicare Part B, and has a permanent address within a designated zip code. The contractor will accept the enrollment application, photocopy of the Medicare Part B enrollment card, and enrollment fee payment (semi-annual or annual payment) for a beneficiary requesting pre-enrollment. The contractor will hold the approved applications in a suspense file until the appropriate date to forward to DMDC DSO. The appropriate date will be between the first and the twentieth (20th) of the month preceding the month the beneficiary becomes eligible. TRICARE eligibility ends at 12:01am on the last day of the month preceding the month of attainment of age sixty-five (65). Therefore, the enrollment period start date of a pre-enrolled beneficiary will begin the first day of the month following the month that TRICARE eligibility ends. The contractor will send an electronic notification of the approved application to the DMDC DSO indicating the appropriate date of enrollment for each beneficiary. An enrollment confirmation letter will be sent to the beneficiary explaining that pharmacy benefits will not be available until the date of enrollment.

(2) All other enrollment requirements shall apply as stated in [Section II.Q.7.a.](#)

c. Disenrollment Process

(1) An enrollee may disenroll at any time by submitting a written request to the contractor, however, with the exception stated in [Section II.Q.7.c.\(3\)](#) the enrollment fee will not be refunded. The contractor shall notify the beneficiary that the DMDC DSO will be notified to disenroll them, and that within twenty-four (24) hours of receipt of the notification by DMDC DSO, the beneficiary will be officially disenrolled.

(2) An enrollee shall be involuntarily disenrolled for:

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II.Q.7.c.(2)(a)

(a) Not returning a signed copy of the continuous enrollment form, a photocopy of the Medicare Part B enrollment card and the enrollment fee payment prior to the enrollment period expiration,

(b) Not maintaining Medicare Part B eligibility,

(c) Permanent change of address outside an implementation area,

(d) Verification of the beneficiary's death.

(3) When an enrollee has a permanent change of address, the enrollee shall notify the contractor. The contractor shall then notify DMDC DSO to disenroll the beneficiary effective with the date the notice is received by DMDC DSO. The contractor shall issue a prorated refund based on the remaining number of full months of enrollment to the enrollee.

(4) An enrollee who disenrolls or is disenrolled involuntarily may request re-enrollment at any time. The enrollment shall be processed in accordance with [Section II.Q.7.a.](#).

(5) When a beneficiary is disenrolled the contractor shall send an electronic copy of the disenrollment notification letter to DMDC DSO.

d. Enrollment/Disenrollment Reconciliation

The contractor in coordination with DMDC/DEERS will perform an annual enrollment/disenrollment reconciliation. The results of this reconciliation will be reported to the Lead Agent (with a copy to the COR). Any discrepancies identified will be corrected immediately.

e. Benefit Portability

Enrollees retain coverage when they temporarily move (less than twelve (12) months) or travel outside the pilot program site. When an enrollee permanently moves outside a pilot program site, the enrollee will be disenrolled from the pilot program.

8. Payment For Claims

a. The contractor shall not be financially at-risk for payment of the Pharmacy Redesign Pilot Program claims. The contractor shall report these claims on separate vouchers according to [OPM Part One, Chapter 4](#). To distinguish a Pharmacy Redesign Pilot Program voucher from a voucher for other TRICARE programs, the contractor shall utilize the specific Voucher Branch of Service Codes mandated in the ADP Manual for use in reporting such claims. The contractor shall process payments via Letter of Credit on a not-at-risk basis for the health care costs incurred for each Pharmacy Redesign Pilot Program claim processed to completion according to the provisions of [OPM Part One, Chapter 4](#).

b. The contractor shall provide the capability to provide pro-rated refunds to enrollees who disenroll because of a permanent change of address outside the demonstration area.

c. The contractor shall send the collected enrollment fees and a matching electronic report to TMA-Aurora on a monthly basis. The report shall include premium payment amounts by enrollee/SSAN/period of time and pro-rated refund debit amounts by enrollee/SSAN/period of time. The contractor shall transfer funds as directed by TMA-Aurora.

9. Reporting Requirements

The contractor shall provide monthly reports to the Director, DoD Pharmacy Programs, TRICARE Management Activity, Skyline 5, Suite 810, 5111 Leesburg Pike, Falls Church, VA 22041-3201, with copies of reports to the Contracting Officer Representatives. The monthly reports shall be submitted by the contractor by the 10th of the month for the preceding reporting month. The reports shall include the following:

- | | |
|---------------|--|
| Member | <p>a. Number of patients treated broken down by Sponsor and Family</p> <p>b. Number of prescriptions filled</p> <p>c. Total dollar costs for prescriptions</p> |
| Family Member | <p>d. YTD Number of patients treated broken down by Sponsor and</p> <p>e. YTD Number of prescriptions filled</p> <p>f. YTD Total dollar costs for prescriptions</p> <p>g. Number of new enrollees</p> <p>h. Number of disenrollees.</p> |

10. Evaluation

a. Section 723 of the FY99 Defense Authorization Act requires an evaluation of the implementation of the redesign of the pharmacy system by an appropriate person or entity that is independent of the Department of Defense with subsequent reports of the evaluation to be submitted by DoD to the Congress on December 31, 2000, and December 31, 2002. The Health Program Analysis & Evaluation (HPA&E) Directorate, TMA, shall arrange for evaluation of the Pharmacy Redesign Pilot Program. The HPA&E in coordination with the Health Services & Operations Support, Military Health System Operations Directorate, will submit the evaluation reports to Congress. Specifically, the evaluation shall include:

- An analysis of the costs of the implementation of the redesign of the pharmacy system under TRICARE and to the eligible individuals who participate in the system.
- An assessment of the extent to which the implementation of such system satisfies the requirements of the eligible individuals for the health care services available under TRICARE.
- An assessment of the effect, if any, of the implementation of the system on military medical readiness.

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II.Q.10.a.

- A description of the rate of the participation in the system of the individuals who were eligible to participate.
- An evaluation of any other matters that the DoD considers appropriate.

b. The contractor shall not be responsible for evaluation of the pilot program. However, the contractor may be required to produce the enrollment, claims and costs data reports to assist in the evaluation of the Pharmacy Redesign Pilot Program.

11. Contractor Transitions

All transition requirements as defined in [OPM Part One, Chapter 1, Section VIII](#), apply.

12. Effective Dates

a. Enrollment in the Pharmacy Redesign Pilot Program shall begin no later than *June* 1, 2000. |

b. Drug benefit under the Pharmacy Redesign Pilot Program shall begin on *July* 1, 2000. |

Figure 2-20-Q-1 Pharmacy Redesign Pilot Program Zip Codes for Okeechobee, Florida					
33438	33439	33455	33458	33468	33469
33471	33475	33478	33930	33935	33944
33960	33975	34739	34945	34946	34947
34948	34949	34950	34951	34952	34953
34954	34956	34957	34958	34972	34973
34974	34979	34981	34982	34983	34984
34985	34986	34987	34988	34990	34991
34992	34994	34995	34996	34997	

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Figure 2-20-Q-2 Pharmacy Redesign Pilot Program Zip Codes for Fleming, Kentucky

25011	25033	25070	25082	25095	25106
25109	25112	25123	25124	25143	25159
25168	25187	25213	25231	25239	25241
25244	25245	25247	25248	25250	25252
25253	25260	25262	25264	25265	25271
25275	25279	25287	25502	25503	25504
25506	25507	25510	25511	25512	25514
25515	25517	25519	25520	25526	25530
25534	25535	25537	25541	25545	25550
25555	25559	25560	25562	25569	25570
25669	25674	25699	25701	25702	25703
25704	25705	25706	25707	25708	25709
25710	25711	25712	25713	25714	25715
25716	25717	25718	25719	25720	25721
25722	25723	25724	25725	25726	25727
25728	25729	25755	25770	25771	25772
25773	25774	25775	25776	25777	25778
25779	26101	26102	26103	26104	26105
26106	26120	26121	26133	26142	26150
26164	26169	26173	26180	26181	26184
26187	40309	40313	40316	40317	40319
40322	40329	40346	40351	40371	40376
40380	40387	40402	40409	40419	40421
40434	40445	40447	40456	40460	40467
40472	40473	40481	40486	40488	40492
40701	40702	40724	40729	40737	40740
40741	40742	40743	40744	40745	40751
40755	40771	40803	40816	40827	40840
40844	40858	40868	40874	40914	40931
40932	40941	40944	40951	40962	40972

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Figure 2-20-Q-2 Pharmacy Redesign Pilot Program Zip Codes for Fleming, Kentucky (Continued)

40979	40983	41002	41004	41034	41041
41043	41044	41049	41055	41056	41062
41065	41081	41093	41096	41101	41102
41105	41114	41121	41124	41127	41128
41129	41132	41135	41137	41139	41141
41142	41143	41144	41146	41149	41150
41156	41159	41160	41164	41166	41168
41169	41170	41171	41173	41174	41175
41179	41180	41181	41183	41189	41201
41230	41232	41264	41301	41307	41310
41311	41313	41314	41317	41332	41333
41338	41339	41342	41344	41347	41348
41351	41352	41360	41362	41364	41365
41366	41368	41377	41385	41386	41390
41397	41408	41410	41413	41419	41421
41422	41425	41426	41427	41433	41444
41451	41452	41459	41464	41465	41472
41477	41632	41714	41730	41749	41762
41764	41766	41775	41776	41777	42501
42502	42503	42518	42519	42533	42544
42553	42558	42564	42567	42642	43101
43102	43107	43111	43127	43135	43138
43144	43149	43152	43155	43156	43158
43728	43731	43756	43758	43766	43787
45105	45144	45601	45612	45613	45614
45616	45617	45618	45619	45620	45621
45622	45623	45624	45629	45630	45631
45634	45636	45638	45640	45642	45643
45645	45646	45647	45648	45650	45651
45652	45653	45654	45656	45657	45658
45659	45660	45661	45662	45663	45669

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Figure 2-20-Q-2 Pharmacy Redesign Pilot Program Zip Codes for Fleming, Kentucky (Continued)

45671	45672	45673	45674	45675	45677
45678	45679	45680	45682	45683	45684
45685	45686	45688	45690	45692	45693
45694	45695	45696	45697	45698	45699
45701	45710	45711	45715	45716	45719
45720	45723	45732	45735	45739	45740
45741	45743	45760	45761	45764	45766
45769	45770	45771	45772	45775	45776
45777	45778	45779	45780	45781	45782
45783	45786	45787			

